SENATE BILL 622:
Tax Reduction Act of 2019.

2019-2020 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	**Date:**	April 17, 2019
Introduced by:	Sens. Tillman, Hise, Newton	**Prepared by:**	Finance Team
Analysis of:	First Edition		

OVERVIEW: Senate Bill 622 would make the following tax law changes:

- ***Increase the standard deduction 3.75%, from $20,000 to $20,750 for married filing jointly.***
- ***Allow an income exclusion for distributions from IRAs to charities for taxpayers age 70½ or older.***
- ***Reduce the franchise tax rate from $1.50 to $1.30 and eliminate one of the three franchise tax bases, 55% of the appraised value of real and tangible personal property.***
- ***Require a multistate corporation to calculate its sales factor, for apportionment purposes, based on the percentage of income attributed to consumption of products and services in the North Carolina marketplace.***
- ***Obligate a "marketplace facilitator" that meets the same threshold applicable to remote retailers to calculate, collect, and remit sales tax on a third-party seller's behalf.***
- ***Allow an income tax deduction for amounts received as a JDIG, JMAC, or OneNC grant.***
- ***Extend the following sunsets for four years:***
  - ***Historic rehabilitation tax credit.***
  - ***NASCAR sales tax exemption and refund.***
  - ***Sales tax exemption for aviation gasoline and jet fuel sold to an interstate air business.***
- ***Provide tax and regulatory relief to out-of-state businesses that perform disaster-related work during a disaster response period at the request of a public utility or a public communications provider; and to allow the Secretary of Revenue to issue a temporary license to an importer, exporter, distributor, or transporter of motor fuel in response to a disaster declaration.***

CURRENT LAW, BILL ANALYSIS, & EFFECTIVE DATES:

PART I. PERSONAL INCOME TAX CHANGES

Section 1.1: Increase standard deduction.

Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions and will choose the method that gives them the lower tax. The standard deduction is a dollar amount that reduces taxable income and eliminates the need to itemize actual deductions, such as mortgage interest, medical expenses, or charitable deductions. Taxpayers whose taxable income falls below the standard deduction amount do not owe State income tax on their income.

Section 1.1 of the bill would increase the standard deduction by 3.75%. Effectively, it would increase the standard deduction $750 for married filing jointly taxpayers to $20,750; $563 for head of household

taxpayers, to $15,563; and $375 for single taxpayers, to $10,375. This section would be effective for taxable years beginning on or after January 1, 2021.

Section 1.2: Conform to Income Exclusion for Distributions from IRAs to Charity

Generally, a taxpayer must include in gross income distributions made from a traditional or Roth IRA account except to the extent they represent a return of nondeductible contributions or are rolled over into another qualified retirement plan. At the federal level since 2006,[1] taxpayers age 70½ or older may contribute up to $100,000 from their IRA account to a charity tax-free. North Carolina conformed to this provision for 2006 through 2013, but decoupled for tax years 2014 through 2018.

Section 1.2 of the bill would change this policy decision by conforming to the income exclusion for a qualified charitable distribution from an individual retirement plan by a person who has attained the age of 70½, beginning prospectively with the 2019 tax year. The treatment is capped at a maximum of $100,000 per taxpayer. However, a taxpayer who itemizes and who elected to take the income exclusion would be able to deduct the amount that would have been allowed as a charitable deduction under the Code had the taxpayer not elected to take the income exclusion.

PART II. FRANCHISE TAX CHANGES

This Part would reduce the franchise tax rate for most corporations in North Carolina. Currently, corporations in the State pay $1.50 per $1,000 of the corporation's tax base. **Section 2.1** would reduce the franchise tax rate to $1.30 per $1,000 of the corporation's tax base, effective for taxable years beginning on or after January 1, 2020, applicable to the calculation of franchise tax reported on the 2019 and later corporate income tax returns. **Section 2.2** would further reduce the franchise tax rate to $1.00 per $1,000 of the corporation's tax base, effective for taxable years beginning on or after January 1, 2021, applicable to the calculation of franchise tax reported on the 2020 and later corporate income tax returns.

Section 2.1 would also allow electric power companies to continue to pay a franchise tax rate of $1.50 per $1,000 of tax base, effective for taxable years beginning on or after January 1, 2020, applicable to the calculation of franchise tax reported on the 2019 and later corporate income tax returns. **Section 2.3** would reduce the franchise tax rate paid by electric power companies to the franchise tax rate paid by all other corporations, effective for taxable years beginning on or after January 1, 2027, and applicable to the calculation of franchise tax reported on the 2026 and later corporate income tax returns.

Lastly, **Section 2.1** would repeal a method used to determine a corporation's tax base for franchise tax purposes in North Carolina. Currently, corporations must use the greatest of three methods when determining its tax base. Section 2.1 would simplify the tax base calculation for franchise tax purposes by repealing the method requiring a corporation to determine 55% of its appraised value as determined for ad valorem taxation of all real and tangible personal property in North Carolina. This would reduce the amount of franchise taxes paid by some corporations and will not adversely affect the remaining corporations that would not see a benefit from the repeal of this method. This change is effective for taxable years beginning on or after January 1, 2020, applicable to the calculation of franchise tax reported on the 2019 and later corporate income tax returns.

[1] This exclusion was originally authorized by the Pension Protection Act of 2006. The law was extended through 2009 by the Emergency Economic Stabilization Act of 2008, and through 2011, by the 2010 Tax Relief Act. The PATH Act made the exclusion permanent in 2015.

PART III. MARKET-BASED SOURCING

A corporation that does business in more than one state must pay income tax to each of the states in which it has nexus. The conventional method used by states to determine how much of a corporation's income should be taxed in each state has been the apportionment formula, which is used to derive an apportionment percentage. The method of apportionment may vary from state to state. For many years, most states used an apportionment formula based on three factors: sales, property, and payroll. Today, 25 states use single sales factor apportionment, including North Carolina.[2] And an additional 14 states give greater weight to the sales factor in their apportionment formulas.

A single sales factor arguably makes a state a more attractive place for a multistate company that provides products to expand its property and payroll because if those factors are ignored in calculating a state's corporate tax, then the company can hire employees or build a plant without incurring additional state tax on its corporate profits. Single sales factor does not provide the same incentive to a multistate company that provides services, because its sales factor is not based on the percentage of income derived from consumption of the company's services in a state's marketplace. Instead, its sales factor is based on the percentage of business activities conducted in a state, which is generally measured by the amount of labor costs and capital investment incurred in a state to provide the services. Consequently, states that adopt a single sales factor apportionment incentive usually adopt a market-based calculation of the sales factor for all multistate corporations, including those that provide services. At least 30 states have adopted market-based sourcing.

Section 3.1 would calculate the sales factor based on the percentage of income attributed to consumption of products and services in the North Carolina marketplace, not based on labor costs and capital investment in North Carolina. Here is a general description of the income apportionment concept proposed in this section, coupled with the single sales factor legislation, for a corporation that does business in North Carolina and in other states:

Percentage of Income Taxed by NC = Total Income Multiplied By a Ratio:

$$\frac{\text{Consumption in North Carolina of a Corporation's Products and Services}}{\text{Total Consumption of the Corporation's Products and Services}}$$

Section 3.1 would apply a different sourcing rule for electric power companies. Under current North Carolina law, electric power companies are allowed to source their receipts using a calculation based upon the value of real and personal property owned or rented and used in this State. Subsection (s3), proposed in Section 3.1 of this Part, would apply the same sourcing rules for electric power companies as is currently applied under North Carolina law.

States may have a separate set of apportionment rules for companies that create and produce movies and television shows. These companies receive licensing fees from cable, satellite, and internet streaming companies in return for the rights to offer the shows to consumers as well as advertising revenue from advertisers. Under current practice, as a result of a private letter ruling, these content providers apportion their income to North Carolina when a contract is executed in North Carolina to give a company the rights to offer their shows.[3] The model rules proposed by the Multistate Tax Commission would apportion the income for these companies differently than current North Carolina practice. Under the model rules, the sourcing is based on the percentage of the viewing audience in a state compared to its total viewing

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[2] The General Assembly enacted legislation in 2015 to phase in single sales factor apportionment over three years, beginning in taxable year 2016.

[3] DOR private letter ruling.

audience. **Section 3.2** would apply the audience factor sourcing rules for broadcasters as is recommended by the Multistate Tax Commission model rules.

States often have a separate set of apportionment rules outlined for banks. Under current North Carolina law, banks are allowed to source their receipts using a market-based calculation of the sales factor. Section 3.3 would apply similar sourcing rules for banks as is currently applied under North Carolina law.

Section 3.4 directs the NC Utilities Commission to adjust the rates for public utilities for the tax changes made by this Part. Each utility must calculate the cumulative net effect of the tax changes and file the calculations with proposed rate changes to reflect the net prospective tax changes in utility customer rates within 60 days of the enactment of this act. Any adjustments required to existing tax assets or liabilities reflected in the utility's books and records required by the tax changes shall be deferred and reflected in customer rates in either the utility's next rate case, or earlier if deemed appropriate by the Commission.

Section 3.5 directs the Codifier of Rules to enter the rules adopted by the Department of Revenue on January 4, 2017, and approved by the Rules Review Commission on February 16, 2017, into the Administrative Code on the effective date of this act, and the rules would apply to taxable years beginning on or after January 1, 2020. Section 38.4 of S.L. 2016-94 directed the Department of Revenue to adopt rules regarding the implementation and administration of market-based sourcing principles, based upon the proposed statutory changes. The rules were adopted, approved, and delivered to the Codifier. The 2016 legislation did not allow the Codifier to enter the rules into the Administrative Code until the General Assembly enacted the proposed statutory changes and directed the Codifier to do so. This Part enacts substantially similar statutory changes, and this section directs the Codifier to enter the rules in the Administrative Code.

Sections 3.1 through 3.3 of this Part are effective for taxable years beginning on or after January 1, 2020. The remainder of this Part is effective when it becomes law.

PART IV. MARKETPLACE FACILITATORS & OTHER FACILITATORS

MARKETPLACE FACILITATORS

BACKGROUND: Prior to last year, a state could not require a remote retailer to collect sales and use tax on behalf of the state if the retailer did not have a physical presence in that state. On June 21, 2018, the United States Supreme Court held in *South Dakota v. Wayfair, Inc.* that a retailer without a physical presence in a state may be required to collect and remit sales tax if it has an economic nexus with that state. The Court found that a South Dakota statute requiring remote retailers with gross sales in excess of $100,000 or at least 200 transactions sourced to that State to collect and remit sales tax met the "substantial nexus" standard required under the Constitution. The Court sided with South Dakota because the State showed that the requirement was not overly burdensome for interstate sellers. The majority made note of the fact that South Dakota's law was not retroactive and provided a safe harbor for smaller remote vendors. The Court also noted that South Dakota was a member of the Streamlined Sales and Use Tax Agreement, which standardizes taxes across states to lower compliance costs, requires state-level tax administration, and provides Internet vendors with access to sales tax administration software paid for by the State.

On August 7, 2018, the Department of Revenue issued a directive requiring retailers that meet either threshold to register and begin collecting and remitting sales tax beginning the later of November 1, 2018, or 60 days after meeting the threshold. On March 20, 2019, the Governor signed S.L. 2019-6 into law, which codified the Department's directive.

Many states are relying on the principles espoused in *Wayfair* as the basis for legislation that would require "marketplace facilitators" to collect and remit sales tax. At least 22 states and the District of Columbia

have enacted a marketplace provision, either through administrative rule or legislation, and many other states have legislation pending.

A "marketplace facilitator" is a person that contracts with third parties to sell goods and services on its platform, which could be a physical space or an Internet website or application, in exchange for some form of consideration, which typically takes the form of facilitation fees or a percentage of the sales. The most widely known marketplace facilitators are businesses like Amazon, eBay, Etsy, and Walmart. Some of these entities make both direct sales from their own inventory of goods and services and sales of third party items, while some only sell third party items. Of note, third party sales constituted 58% of Amazon's sales in 2018 as compared to 3% in 1999.

CURRENT LAW: Under current law, a remote retailer is required to collect and remit sales and use tax to this State if, in the previous or current calendar year, it made gross sales of more than $100,000 sourced to this State or it made 200 or more separate sales transactions sourced to this State. There is no provision in the current law that would require a marketplace facilitator to collect sales tax on sales of third party goods or services.

ANALYSIS: Part IV of the bill would obligate a "marketplace facilitator" that meets the same threshold applicable to remote retailers to calculate, collect, and remit sales tax on a third-party seller's behalf. This Part would become effective September 1, 2019, and would apply to sales occurring on or after that date.

Having a marketplace facilitator provision is a more cost effective way to collect the tax and increases collections because the aggregation of third-party sales on a single, large-scale marketplace provides the requisite nexus for a collection obligation that the remote retailers would not necessarily have individually, and it allows the State to collect from a single entity rather than from each third party seller in that marketplace.

Threshold. – A marketplace facilitator would only be required to collect and remit sales tax to this State if it meets a threshold. The threshold is the same that applies to remote retailers. The facilitator must, in the previous or current calendar year, make gross sales in excess of $100,000 sourced to this State or 200 or more separate transactions sourced to this State. For purposes of determining whether the threshold is met, a facilitator would be required to include all sales, including direct sales to customers as well as sales made on behalf of all marketplace sellers.

The bill would also clarify that remote retailers must include their marketplace facilitated sales when determining whether they meet the threshold and are, therefore, required to collect tax on their direct sales sourced to this State.

Key Definitions.

- ***Marketplace.*** – A physical or electronic place, forum, platform, application, or other method by which a marketplace seller sells or offers to sell items, the delivery of or first use of which is sourced to this State. While most discussion of the marketplace facilitator issue tends to refer to Internet retailers or "platforms" that sell third-party items, a marketplace could also be a physical place.
- ***Marketplace facilitator.*** – A person that, directly or indirectly and whether through one or more affiliates, does both of the following:
    1. Lists or otherwise makes available for sale a marketplace seller's items through a marketplace owned or operated by the marketplace facilitator.
    2. Does one or more of the following:

- Collects the sales price or purchase price of a marketplace seller's items or otherwise processes payment.
- Makes payment processing services available to purchasers for the sale of a marketplace seller's items.
- Transmits the offer or acceptance for the sale of the items.

- ***Marketplace seller.*** – A person that sells or offers to sell items through a marketplace regardless of any of the following:
  - ❖ Whether the person has a physical presence in this State.
  - ❖ Whether the person is registered as a retailer in this State.
  - ❖ Whether the person would have been required to collect and remit sales and use tax had the sales not been made through a marketplace.
  - ❖ Whether the person would not have been required to collect and remit sales and use tax had the sales not been made through a marketplace.

  The purpose of these qualifications is to make clear that a marketplace's facilitator's remittance obligations are not contingent on the nexus or threshold status of a marketplace seller. Specifically, if a marketplace seller has nexus with this State and would otherwise be required to register and collect sales tax, the marketplace facilitator is, nevertheless, the retailer if the seller's items are being sold through its marketplace, assuming the marketplace facilitator meets the threshold.

  The reverse is also the case. If a remote retailer does not have nexus with this State and, therefore, would not be required to collect sales tax if the sales were made directly to North Carolina customers, the marketplace facilitator may nevertheless be required to collect sales tax on behalf of the seller for those sales if the marketplace facilitator meets the threshold.

Payment of Tax. – A person that meets the definition of a "marketplace facilitator" and meets the economic nexus threshold would be considered the retailer for all marketplace facilitated sales it makes and would be required to collect and remit sales and use tax to this State. The facilitator would be subject to all requirements and procedures that apply to retailers generally.

Relief from Liability. – The bill would give the Secretary of Revenue the ability to provide a marketplace facilitator with relief from liability if the facilitator can satisfactorily demonstrate that the failure to collect the correct amount of tax was due to incorrect information given to the facilitator by the seller.

Report. – A marketplace facilitator would be required, within 10 days after the end of each calendar month, to report to each marketplace seller for whom it makes marketplace facilitated sales the gross sales and the number of separate transactions sourced to this State. The purpose of this report is to help a marketplace seller determine whether they have nexus with this State by virtue of their marketplace facilitated sales and are, therefore, required to collect and remit on any direct sales they may have.

Limitation. – Currently, North Carolina recognizes "facilitators" in three other sales tax contexts: the rental of accommodations, the sale of admission to entertainment activities, and the sale of service contracts. The marketplace facilitator provisions in this bill do not apply to these other facilitators. However, as a practical matter, there are situations in which these other facilitators are considered to be the "retailer" for particular transactions, and their collection and remittance obligations are set out in separate statutes.

OTHER FACILITATORS

Sections 4.2, 4.3, and 4.4 make changes to the statutes that govern other types of facilitated transactions. Each of these statutes contains a defined term for a "facilitator," yet each definition of the same word is different. With the addition of a "marketplace facilitator," the bill modifies these statutes to more specifically denominate the various facilitators to avoid confusion.

Specifically:

- The bill creates a new defined term for an **"admission facilitator"** for purposes of the sales tax that applies to the gross receipts derived from admission charges to an entertainment activity and makes conforming changes throughout the statute, but it does not make any substantive changes as it relates to admissions.
- The bill creates a new defined term for a **"service contract facilitator"** for purposes of the sales tax that applies to service contracts and makes conforming changes throughout the statute, but it does not make any substantive changes as it relates to service contracts.
- In addition, all of the definitions currently located in each of the three statutes are being relocated to the global definitions section for Article 5.

With respect to accommodations, the bill makes the following substantive changes:

- ***Definition Change.*** – It modifies the definition of **"accommodation facilitator."** Under current law, an accommodation facilitator is a person who contracts with a provider of an accommodation to market and accept payment for the accommodation; it specifically excludes a rental agent. Historically, rental agents have been viewed differently than "facilitators" though descriptions of what they do are very similar. Generally speaking, a rental agent contracts with a property owner to rent the owner's residential property as an accommodation and is usually the person who interacts with and accepts payment from the renter. Rental agents tend to be considered as providing more of a "person-to-person" service compared to an online travel company, such as Expedia, which is an internet platform through which customers can rent hotel rooms. In North Carolina, a rental agent is always considered the retailer for purposes of accommodation rentals, but that is not the case with accommodation facilitators. Facilitators typically send the portion of the sales price that they owe the provider and any tax due on that portion to the provider once the customer has occupied the room, and the provider is considered the retailer of the transaction.

  Since North Carolina originally enacted its accommodation facilitator provision, new types of accommodation models like, Airbnb and VRBO, have entered the market space, and the ruling in the *Wayfair* case has eliminated physical presence concerns that previously limited the State's ability to collect from these facilitators. Given the changes in the landscape and to be more consistent with the treatment of marketplace facilitators, the bill would modify the definition of "accommodation facilitator" to include a person that lists an accommodation for rental on a forum, platform, or other application for a fee or other consideration and real estate brokers.

- ***Specifies who the Retailer is.*** – It more specifically describes the conditions under which a person is considered the retailer for the rental of an accommodation. Generally, the provider of the accommodation would be considered the retailer unless it has contracted with an accommodation facilitator who collects payment or a deposit at the time of the reservation, in which case the facilitator would be considered the retailer. For the most part, this preserves the current framework but would expand the remittance obligation when an online travel company or other

accommodation facilitator collects and processes payment at the time the reservation is made (as opposed to merely collecting credit card information to hold a reservation).

- ***Exemption.*** – Under current law, the rental of a private residence for fewer than 15 days in a calendar year is exempt from sales tax unless the rental is listed with a rental agent or real estate broker. Under the bill, the exemption would not apply if the accommodation is rented by a facilitator who is considered the retailer, which means the facilitator collects payment or a deposit at the time of the reservation; this would include a rental agent.

- ***Report.*** – The bill would require an accommodation facilitator to file an annual report with the Secretary of Revenue for rentals for which it is not considered the retailer. The report must include the property owner's name and mailing address, the physical location of the accommodation, rental activity detail, the gross receipts derived from the rentals, and any other information deemed necessary by the Department.

Section 4.5(a) updates the recordkeeping statute to address the types of records that facilitators and real property contractors must keep.

Section 4.5(b) makes various technical and stylistic changes to the definitions section and makes various conforming changes to address the addition of marketplace facilitators as retailers.

PART V. OTHER BUSINESS TAX CHANGES

Section 5.1: Allow deduction for amounts received as economic incentive.

Prior to 2017, IRC §118 excluded from gross income "any contribution to the capital of the taxpayer." Historically, this exclusion extended to contributions made by a "governmental unit or by a civic group for the purpose of inducing the corporation to locate its business in a particular community, or for the purpose of enabling the corporation to expand its operating facilities."

The Tax Cuts and Jobs Act, enacted by Congress in 2017, made a significant change to the treatment of certain incentives offered to corporate taxpayers by state and local governments. Specifically, IRC §118 was amended to expressly provide that the term "contribution to the capital of the taxpayer" does not include "any contribution by any governmental entity or civic group (other than a contribution made by a shareholder as such)." Accordingly, contributions of money or property to a corporation by a governmental entity made on or after December 22, 2017, are includible in gross income.

When the General Assembly enacted its IRC Update legislation in 2018, it did not specifically address this provision, and so therefore, when it updated the Code date, it resulted in North Carolina conforming to this provision thereby making those cash grants included in taxable income.

Section 5.1 of the bill would decouple from this federal tax law change by creating a corporate and individual income tax deduction for amounts received by a taxpayer as an economic incentive under the Job Maintenance and Capital Development Fund (JMAC), the Jobs Development Investment Grant Program (JDIG), or the One North Carolina Fund.

This section is effective for taxable years beginning on or after January 1, 2019, and applies to amounts received by a taxpayer pursuant to an economic incentive agreement entered into on or after that date.

Section 5.2: Extend Sunset for Historic Rehabilitation Tax Credit.

Section 5.2 would extend the sunset of the existing historic rehabilitation tax credit from January 1, 2020, to January 1, 2024. The tax credit for income producing property is capped at $4.5 million, and is equal to 15% of the first $10 million in qualified rehabilitation expenditures, plus 10% of the next $10 million, plus 5% for the first $20 million if the structure is located in a Tier 1 or 2 area, plus 5% for the first $20 million if the structure is located on an eligible targeted investment site. The tax credit for non-income producing property is capped at $22,500, and is equal to 15% of expenses to rehabilitate a building listed in the National Register of Historic Places or certified by the State Historic Preservation Officer as contributing to the historic significance of a National Register Historic District or a locally designated historic district certified by the United States Department of the Interior. The taxpayer must have at least $10,000 in expenses to qualify for the non-income producing credit.

Section 5.3(a): Extend Sunset for Sales Tax Exemptions for Qualifying Airlines

Section 5.3(a) would extend the sunset of the sales and use tax exemption for sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft from January 1, 2020, to January 1, 2024. Aviation gasoline and jet fuel are subject to a 7% State sales tax rate, and the revenue generated by the tax is earmarked to the Division of Aviation, Department of Transportation.

Section 5.3(b): Extend Sunset for Sales Tax Exemptions for Motorsports Racing Teams

Section 5.3(b) would extend the sunset of the sales and use tax exemption for certain sales to professional motorsports racing teams, or a related member of the team, related to a professional motorsports vehicle used in competition in a sanctioned race. This section would also extend the sales tax exemption for sales of an engine to, or a part to build or rebuild an engine for, a professional motorsports team. This section would extend the sunset for both provisions from January 1, 2020, to January 1, 2024.

Section 5.3(c): Extend Sunset for Sales Tax Refund for Motorsports Racing Teams

Section 5.3(c) would extend the sunset of the sales and use tax refund to a professional motorsports team, a motorsports sanctioning body, or related member of either, for sales taxes paid on aviation gasoline or jet fuel used to travel to or from a motorsports event in North Carolina, to a motorsports event in another state from North Carolina, or to North Carolina from a motorsports event in another state. This section would also extend the sunset of the sales tax refund to a professional motorsports racing team, or a related member of the team, for sales taxes paid on tangible personal property, other than tires and accessories, which comprises any part of the motorsports vehicle. The refund provisions were enacted in 2005, and have been extended many times.This section would extend the sunset for both provisions from January 1, 2020, to January 1, 2024.

PART VI. FACILITATE RESPONSE TO DISASTERS

During times of natural disasters, property and equipment owned or used by utility or communications transmission services to the public in the State are severely damaged and customers are often left without vital services. The companies that provide these services request other similarly situated companies, subsidiaries, and affiliates from out-of-state to come into the State to assist the companies in restoring these services. Whenever these companies come into the State, they are doing business in the State and become subject to various regulatory and tax laws.

Part VI of the bill would provide that the out-of-state companies and employees that are requested to come into the State at the request of a *critical infrastructure company* are not doing business in this State

for the disaster-related work performed during the disaster response period, and are therefore exempt from the following State laws:

- Registration with the Secretary of State.
- Corporate income and franchise tax.
- Individual income tax.
- Workers compensation laws.
- Unemployment insurance taxes.

Section 6.1 defines a "critical infrastructure company" as a person that provides broadband, mobile telecommunications, telecommunications, or wireless Internet access, and a person that is subject to control of the Utilities Commission, the Federal Communications Commission, or the Federal Energy Regulatory Commission. Examples of critical infrastructure include communications networks; electric generation, transmission, and distribution systems; natural gas transmission and distribution systems; water pipelines; and related support facilities. A disaster response period begins 10 days prior to the first day of a disaster declaration and extends for 60 days following the expiration of the disaster declaration. Part 8 of Article 166A of the General Statutes defines a disaster declaration and provides when those declarations expire.[4]

Section 6.4 would allow the Secretary of Revenue to issue a temporary license to an applicant to import, export, distribute, or transport motor fuel in this State in response to a disaster declaration. The temporary license would expire upon the expiration of the disaster declaration. The person would continue to be responsible for filing returns and paying the required motor fuel taxes, but the person would not have to post a bond or obtain a certificate of authority to operate in this State from the Secretary of State to receive the temporary license. The Secretary of Revenue would not be allowed to renew or issue a temporary license to a person that failed to file the required returns or make payments of the required taxes.

This Part is effective when it becomes law and applies to taxable years beginning on or after January 1, 2019.

PART VII. EFFECTIVE DATE

Except as otherwise provided, this act is effective when it becomes law.

[4] G.S. 166A-19.21.